

# ***"ISSUES THAT AFFECT AFFORDABLE HOUSING IN THE SILICON VALLEY"***



## **Report of the Select Committee on Housing in the Silicon Valley**

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**Assemblymember Manny Diaz, Chair**  
*July 2002*

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## ASSEMBLYMEMBER MANNY DIAZ



We have a Housing Crisis in California!

The lack of affordable housing in the Silicon Valley and around the state especially in the high cost regions of the state has a domino effect upon our communities. It affects working families who are trying to get a piece of the “American Dream,” home ownership. The high cost of housing hits our working families the hardest.

Housing is one of those issues that has ripple effects in our communities. The lack of affordable housing influences industry, our quality of life is impacted with stress on our transportation infrastructure, basic services such as education and health care are impacted because key professionals can’t afford to live in our communities and later choose to leave all together, rather than suffer long commutes away from their families.

The overriding theme of the Select Committee with our working group sessions and the November 2001 hearing was collaboration with State and local government and all the stakeholders involved in affordable housing. There must be the political will by all elected officials to seek solutions and make the hard decisions.

I have over seventeen years experience in housing. I was a housing development manager for the Mexican American Community Services Agency (MACSA); served on the San Jose Planning Commission for seven years and I worked on housing extensively while I served on the San Jose City Council. When I came to the Legislature in December of 2000, The creation of this Select Committee on Housing was one of my very first priorities.

This report covers the activities of the Select Committee on Housing in the Silicon Valley and the “Advisory Working Groups” of the Select Committee. I invite you to read the Executive Summary and the Hearing Transcript, which is included in this report.

Sincerely,

A handwritten signature in black ink that reads "Manny Diaz". The signature is fluid and cursive, with the first name "Manny" being larger and more prominent than the last name "Diaz".

MANNY DIAZ

Assemblymember, 23<sup>rd</sup> District



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## PURPOSE OF THE SELECT COMMITTEE

*The Select Committee on Housing in the Silicon Valley was formed in 2001, by Speaker Robert Hertzberg, at the request of Assemblymember Manny Diaz to explore the issues that affect affordable housing in the Silicon Valley and other high cost regions of the State of California. To seek collaborative solutions for this housing crisis by bringing together all the stakeholders including state government, local government, labor, business, housing advocates and the developers of affordable housing.*

**“To solve this housing crisis in California, there must be the political will on the part of state and local elected officials to make the hard decisions to act.”**

Assemblymember Manny Diaz, November 16, 2002

**“Failure to act will result in the emergence of three classes of Californians: homeowners, long-distance commuters, and permanent renters. Which group will your children belong to?”**

Professor John D. Landis, February 21, 2002

California Assembly  
Select Committee on Housing in the Silicon Valley  
Assemblymember Manny Diaz, Chair  
State Capitol, Room 2170  
Sacramento, CA 95814  
Phone: 916-319-2023







## MEMBERS OF THE SELECT COMMITTEE ON HOUSING IN THE SILICON VALLEY

Assemblymember Manny Diaz, Chair  
23<sup>rd</sup> Assembly District  
San Jose

Assemblymember Rebecca Cohn  
24<sup>th</sup> Assembly District  
Saratoga

Assemblymember Alan Lowenthal  
54<sup>th</sup> Assembly District  
Long Beach

Assemblymember Joe Nation  
6<sup>th</sup> Assembly District  
Marin

Assemblymember George Runner  
36<sup>th</sup> Assembly District  
Lancaster

Assemblymember Simón Salinas  
28<sup>th</sup> Assembly District  
Salinas

Assemblymember Charlene Zettel  
75<sup>th</sup> Assembly District  
Poway

Consultant, Bob Reid





## ACKNOWLEDGEMENTS

The Select Committee on Housing in the Silicon Valley would like to thank and acknowledge the following individuals for their invaluable assistance in our efforts:

Speaker Herb J. Wesson, Jr.

Speaker Emeritus Robert Hertzberg

Senator Joseph Dunn, Chair

Senate Housing and Community Development Committee

Assemblymember Alan Lowenthal, Chair

Assembly Housing and Community Development Committee

Shiloh Ballard, Silicon Valley Manufacturing Group

Alex Sanchez, Director

Housing Authority of Santa Clara County

Shirley Baughn, Jeannie Hall and Julie James

Housing Authority of Santa Clara County

Chris Block, Executive Director

Catholic Charities, Santa Clara County

Catherine Borg, Legislative Advocate

Western Manufactured Housing Communities

Hubert Bower, Consultant

Assembly Housing and Community Development Committee

Marc Brown, Staff Attorney

California Rural Legal Assistance Foundation

Phyllis Cassel, Planning Commissioner, City of Palo Alto

Timothy L. Coyle, Vice President  
California Building Industry Association

Cathy Creswell, Deputy Director  
Department of Housing and Community Development

Janet Falk, Executive Director  
California Housing Partnership Corporation  
Laurel Godley, Marketing and Public Relations  
City of San Jose

Carl Guardino, President and CEO  
Silicon Valley Manufacturing Group

Fran Hirsch, Director of Property Management  
Brandenburg, Staedler & Moore

Duncan McFetridge, Director of Legislation  
Office of State Treasurer Philip Angelides

Judy Nevis, Chief Deputy Director  
Department of Housing and Community Development

Terri Parker, Director  
California Housing Finance Agency

William J. Pavao  
Deputy Director, Division of Community Affairs  
Department of Housing and Community Development

Betsy Shotwell, Director of Intergovernmental Relations  
City of San Jose

Julie Snyder, Housing California

Mark Stivers, Consultant  
Senate Housing and Community Development Committee

Dianne Spaulding, Executive Director  
Non-Profit Housing Association of Northern California

Lee Sturtevant  
Office of Supervisor James T. Beall, Jr., Santa Clara County

Ron Morgan, Executive Director  
Community Housing Developers, Inc.

John Doherty  
Silicon Valley Law Foundation  
—  
Paul Stewart, Government Affairs Director  
Santa Clara County Association of Realtors  
County of Santa Clara  
—  
Elizabeth Morris, CEO  
San Diego Housing Commission

*Assemblymember Manny Diaz Staff*

Sandra Pizarro  
Chief of Staff  
—  
Drina Collins  
Director of Public Affairs  
—  
Bob Reid  
Consultant  
—  
Alexander Kobayashi  
Field Representative





## EXECUTIVE SUMMARY

The focus of the Select Committee has been to seek collaborative strategies with local elected officials and housing advocates. On May 30, 2001, Assemblymember Manny Diaz, 23<sup>rd</sup> Assembly District and, Assemblymember Simon Salinas, 28<sup>th</sup> Assembly District, met with eight of the fifteen Mayors of Santa Clara County to discuss the mission of the newly formed Select Committee and to develop a work plan for the activities that followed during the summer and fall.

It was agreed that night that, an “Advisory Working Group,” would be formed under the auspices of the Select Committee on Housing in the Silicon Valley. This Advisory Group was to be made up of local elected officials in the County of Santa Clara, labor, business, housing advocates, local housing officials, representatives of the builder and real estate interests and the apartment association. The goal was to reach a consensus on possible legislative or administrative solutions to some of the shared housing problems in the region.

The “Advisory Working Group” met twice during the summer and fall of 2001. On August 30<sup>th</sup>, twenty-five “Advisory Working Group” members met at the Santa Clara County Board of Realtors headquarters in San Jose, CA and reviewed fourteen (14) issues that were pre-selected by committee staff with input from all the Advisory Working Group members. It was agreed to pare them down to four issues.

The following was the list of topics brought to the meeting by individual “Advisory Working Group” members and staff:

- Tax Credits
- Affordable Housing Preservation
- Construction Dispute Resolution
- Regulatory Barriers
- Affordable Housing in New Neighborhoods

- Increasing the redevelopment set aside for housing
- Renters' issues
- Smart Growth Land Use Policies
- Local Housing Trust Funds
- Infrastructure costs as barriers to new construction
- Housing elements in General Plans
- Financing Strategies
- Silicon Valley Disconnect with State Housing Programs
- Strong Neighborhood Initiative



The Select Committee took a very democratic approach to the decision making process. The group voted at the August meeting which issues they would study as a group.

These were the four topics agreed upon to study and report back to the full “Advisory Working Group” and the Select Committee at the September 27<sup>th</sup> meeting:

- Issue # 1  
Disconnect with State Laws and Regulations and the Silicon Valley
- Issue # 2  
Tax Credits and Incentives
- Issue # 3  
Smart Growth
- Issue # 4  
Preservation of Affordable Housing Stock

Team Captains were appointed and the “Advisory Working Group” members signed up to work on these four study group teams.

The four issue teams met at least three times between the August meeting of the “Advisory Working Group” and the last “Advisory Working Group” meeting of the Fall on September 27, 2001 at the San Jose offices of the Santa Clara County Board of Realtors.



The Team Captains presented to the full “Advisory Working Group” their four recommendations which were discussed, amended and agreed to for presentation to the Select Committee Members at the November 16, 2001 hearing in San Jose.

### **November 5, 2001 Fact Finding Trip**

Three Members of the Select Committee took a one-day trip to San Diego as the guest of Select Committee Member, Assemblymember Charlene Zettel, 75<sup>th</sup> Assembly District. The officials of the Centre City Development Corporation and the San Diego Housing Commission took the Members on a bus tour of the Downtown redevelopment area.



Mercado Housing Project, San Diego Housing Commission

Select Committee Members who participated in the tour were Assemblymember Manny Diaz, Assemblymember Alan Lowenthal and the host, Assemblymember Charlene Zettel, Assemblymember Howard Wayne, 78<sup>th</sup> Assembly District and Hubert Bower, the Chief Consultant to the Assembly Housing and Committee Development Committee, also attended the tour. The purpose of the “Fact Finding Tour” was to highlight best practices in affordable housing, in order to assist State legislators and staff in developing affordable housing legislation for the 2002 session.



An additional goal of the trip was to identify similarities of these two high cost regions of the state, San Diego and the Silicon Valley. The tour included a visit to a senior apartment project in

Barrio Logan/Logan Heights, and a family housing project in “Little Italy.”

The first public hearing of the Select Committee was held in San Jose at the Silicon Valley Conference Center from 10:00 a.m. to 1:30 p.m. Select Committee Members attending the hearing were:

- Assemblymember Manny Diaz, Chair, 23<sup>rd</sup> Assembly District from San Jose
- Assemblymember Simon Salinas, 28<sup>th</sup> Assembly District from Salinas
- Assemblymember Alan Lowenthal, 54<sup>th</sup> Assembly District, Long Beach

The Hearing took over four hours and heard testimony from the Four Issue teams of the “Advisory Working Group” as well as the Mayor of San Jose, Ron Gonzales, and the Chair of the Santa Clara County Board of Supervisors, Supervisor James T. Beall, Jr.

Additionally three Housing officials from Sacramento were on hand to offer their input to the testimony of the “Advisory Working Group” teams including:

- Terri Parker, Director, California Housing Finance Agency
- William Pavao, Deputy Director, Department of Housing and Community Development
- Duncan McFetridge, Director of Legislation, State Treasurer Philip Angelides

Each of the four Issue Teams presented their papers for discussion with analysis from the state housing officials. The four teams made their recommendations to the Select Committee summarized here.



## **Issue Team Summary of Recommendations**

### **Issue Team # 1**

- Ask the Tax Credit Allocation Committee to change current regulations to eliminate the tax credit threshold basis for limitations for private activity bond financed apartments.

### **Issue Team # 2**

- Explore legislation to expand and augment tax allocation by opening the competitive requirements under which various projects vie when the State allocates its tax credits.
- Create a local-state partnership to lobby federal agencies to increase the limit of per capita tax credit received by California.
- Consider legislation to expand the eligible tax credit bases for the development costs.
- Consider legislation to create a “certificate of participation” process for tax incentive use.

### **Issue Team # 3**

- Support legislation that will allow the State to explore new incentives to encourage cities and counties to develop regional housing solutions, using the Santa Clara County Housing Task Force as a model.
- Consider legislation to fund a regional planning pilot for Urban Counties in California

### **Issue Team # 4**

- Create a central Repository of information using data from all housing agencies in the State including: HCD, CHFA, CDLAC and TCAC to share information locally and regionally on proj-



ects that are about to be paid off or opt out or return to market rate status.

- Use Model of Federal Database available on federally funded projects which is administered by the California Housing Partnership Corporation (CHPC).
- Ask or require the State annually to review the notices that are required by law to be sent to HCD. Make that information available to developers, housing advocates, local and regional government. Also make certain that the information is reviewed, not just received, by HCD.

The final order of business was public testimony from a variety of housing advocates and representatives of the housing industry.

*Please refer to The Hearing Transcript of Pages 19 through 56 for details of testimony.*





## ACCOMPLISHMENTS

The Tax Credit Allocation Committee at its January 2002 meeting formally approved new regulations that accepted the recommendations of the Select Committee on Housing in the Silicon Valley and the three Housing leaders of the Legislature, Assemblymember Manny Diaz, Assemblymember Alan Lowenthal and Senator Joseph Dunn. The changes of the TCAC, in combination with recent changes in Housing and Urban Development (HUD) regulations approved in December of 2001, eliminated unnecessary and counterproductive restrictions. *Tens of millions of dollars each year will now flow into meeting this critical public purpose of funding affordable housing.*

The letter stated “It is in our joint roles as the Housing Leadership of the Legislature that we urge you to support a proposal to eliminate the Threshold Basis Limits for projects which are financed through private activity bonds and 4% low income housing tax credits.” At the November 16, 2001 hearing of the Select Committee, this issue was discussed at great length by Issue Team Captain, Alex Sanchez and his committee.

The letter to State Treasurer Angelides went on to say “It is our view that the application of the Thresholds Basis Limits to these 4% tax credit assisted projects play no useful role today in either curbing any potential developer abuse of the program or in maintaining Congressional support for its continuation.”

The letter concluded by stating that “it rarely is the case that California can substantially increase levels of federal tax subsidies available to effect so many positive results by merely amending its own system of regulations governing the administration of the underlying federally authorized program.”

The Executive Director of the Housing Authority of Santa Clara County, Alex Sanchez, in a letter to Assemblymember Manny Diaz, Chair of the Select Committee, praised the work of the Committee for their advocacy of reforms of the tax credit allocation process. “All of this has been accomplished at no cost to California State or Local government.”

- The Select Committee developed over the year 2001, a 25 member “Advisory Working Group” made up of all the stakeholders in the Silicon Valley including: labor, business, housing advocates, non-profit developers and local elected officials. This key advisory working group will continue to review the 10 recommendations made to the Select Committee as future legislative or administrative proposals.
- The Select Committee on Housing in the Silicon Valley has developed an ongoing policy relationship with the Assembly and Senate Housing and Community Development Committees.





## THE NEXT STEP

- The Select Committee on Housing in the Silicon Valley plans to hold additional hearings in the region and other parts of the State in the fall of 2002.
- The Chair's plan is to call together the "Advisory Working Group" of the Select Committee and review the expert testimony of the November 16, 2001 hearing.
- Continue the dialogue about potential legislative or administrative solutions to the issues raised in the hearing.
- The Select Committee will continue to serve as a facilitator for those stakeholders involved with Affordable Housing and related Smart Growth Issues in the Silicon Valley and throughout the State.



EXECUTIVE DIRECTOR  
ALEX SANCHEZ



**HOUSING AUTHORITY  
OF THE COUNTY OF SANTA CLARA**

February 21, 2002

The Honorable Manny Diaz  
California State Assembly  
23<sup>rd</sup> Assembly District  
Capitol Bldg. #2170  
Sacramento, CA 95814

Dear Manny:

The Housing Authority of the County of Santa Clara, on behalf of all developer and governmental subsidizers of bond financed, low income housing tax credit assisted apartment developments, thanks you for your leadership in encouraging acceptance by the California Tax Credit Allocation Committee ("TCAC") of changes to its regulations which had artificially limited corporate equity dollars available for investment in these affordable housing projects. The increases to the Threshold Basis Limits which have recently been approved by TCAC, in combination with recent changes to the underlying HUD 221(d)(3) limits pursuant to the HUD Appropriations Act enacted last December, have eliminated these unnecessary and counterproductive restrictions in all but the rarest of cases. Tens of millions of dollars each year will now flow into meeting this critical public purpose each year, fund which previously had been blocked by TCAC regulations now reformed in this regard.

All of this has been accomplished at no cost to California State or local government – a rare accomplishment indeed.

We appreciate the efforts of you and your staff in all regards as you seek to address the affordable housing needs of all Californians and, in particular, those residing in high cost areas such as Silicon Valley.

Sincerely,

HOUSING AUTHORITY OF THE  
COUNTY OF SANTA CLARA

  
Alex Sanchez  
Executive Director





## ISSUES THAT IMPACT AFFORDABLE HOUSING IN THE SILICON VALLEY

Hearing

Friday, November 16, 2001  
Silicon Valley Conference Center  
2161 North First Street  
San Jose, CA  
10:00 AM to 1:00 PM

### **I. Welcome and Opening Remarks**

*Assemblymember Manny Diaz, Chair:*

Good morning and welcome. My name is Manny Diaz. I'm the State Assembly representative here from the 23<sup>rd</sup> district. And welcome on behalf of the members of the Assembly Select Committee on Housing in Silicon Valley.

This is the actual first official public hearing for the select committee and again the purpose of this committee is to see what the State of California can do in addition to its current assistance that we are currently providing to many of our local cities, counties, housing agencies in trying to create more affordable housing throughout the State of California

I also want to acknowledge Alex Sanchez, the Executive Director of the Santa Clara County Housing Authority for hosting us today at this wonderful conference facility. I would also like to thank the San Jose Department of Housing.

I'd like to introduce my colleagues from the Assembly that are part of the Select Committee. First of all, I'd like to introduce Assemblymember Alan Lowenthal, from the

Long Beach area. He's currently the chair of the Assembly Housing and Community Development Committee. We're hoping we can introduce some legislation early next year that, based on the input that we receive today and will continue to receive from many of you in the next few months.

And also now, to my left, is Assemblymember Simón Salinas, who represents the Salinas/Monterey area and he has also been very active here, and he's also part of our committee, so I am glad that both of you could make it: Alan, thank you for being here. Simón, thank you for being here.

And also, for those of you, I want to also thank Bob Reid. Bob come over here. He's our Housing Consultant for our Select Committee. Bob thank you for helping putting all this thing together. This is a lot of work, folks, putting these types of conferences together, these hearings. So thank you Bob.

So with that, I would like to now ask my colleagues here from our committee if they would like to say a few remarks.

## **II. Remarks by Members of Committee**

### ***Assemblymember Alan Lowenthal:***

Well, first I would like to thank Chairman Diaz, he's been... you know the difference between a Standing Committee and a Select Committee. In the legislature, I chair the Standing Committee, and that's where we hear all the legislation that's proposed by all the members. Select Committees, really, go around the state and they hold hearings, like this, and that is where we create the legislation that then, ultimately goes before the Standing Committee.

This is the second meeting that I have attended for the Select Committee on Housing in the Silicon Valley, and I think that it's just great to be with Manny, who has a real commitment. And this obviously is an area that is heavily, impacted, but it's also an area where there is a great deal of creativity that comes out, through the Manufacturing Association, Carl Guardino's work over the



number of years, and the legislature's work, and I look over, Mayor Gonzales, thank you for being here, and Terry Parker, from CHFA.

So today is a day where I am really looking forward to hearing exciting ideas, and seeing how we can move forward and begin to solve some of California's housing crisis, especially as we focus here, on the Silicon Valley. And so thank you, Assemblymember Diaz, for having this hearing.

*Assemblymember Simón Salinas:*

Thank you Chair Diaz. And, let me welcome everybody here. I happened to come here, to San Jose, a few months ago when Assemblymember Diaz held the first planning meeting. He asked some of the local officials, both from local government and housing advocates, to come up with ideas that we could use at the Select Committee to try to try to find creative ways of, obviously, getting to what we're all here for. And that is to increase the bricks and mortar projects out there that address the housing crunch that people are feeling, not only here in the high tech fields, but also in agricultural fields.

I happen to represent the "Salad Bowl" and also up here to the Silicon Valley, so it's important that we hear from you, that we listen to some of your ideas. It's not easy. Some of us come from local government; I was a City Councilmember and a County Supervisor. As good as our policies could be, as good as they might be, we sometimes get to the project where the Councilmember or a Board of Supervisor has to make a decision, and we hear community outcry sometimes, "Not in my Backyard." Those are real political issues that we have to confront, but frankly, just by looking at some of the poll results, people, in general, are realizing that we have a housing crisis. We've got to work together to be able to address the need to create more affordable housing units for our workforce, for our residents here in Santa Clara and Monterey Counties.

*Assemblymember Diaz:*

Thank you Simón. I'd like to now go to the next part of the program,



and it's my honor to introduce a good friend of mine, a leader here for the City of San Jose, the Honorable Mayor Ron Gonzales.

### III. Welcome to San Jose

#### *Mayor Ron Gonzales:*

Good morning everyone. It's my pleasure to welcome you to San Jose. And I want to thank you Manny for bringing this committee to our community to learn more about the critical issue of housing. I am pleased that the state legislature is reviewing this issue and is looking for solutions.

Last year, I created a housing production team of community leaders and housing experts to identify ways to build more housing faster. They quickly came up with more than seventy concrete ideas and the City Council has moved them into action. More mixed use, with commercial and housing together, streamlining the building permit process, rezoning under utilized parcels, more density around transit corridors, smart growth, with in-fill in existing urbanized areas, full neighborhood participation to reduce unwanted impacts, a key element to the issue you mentioned, Assemblymember Salinas.

I look forward to creative solutions that may come out of this committee's efforts. We all must work together, cities and the state, to produce more homes and to protect and preserve the affordable housing we already have. We must also continue to address the needs of the families in the greatest need, the working poor, so that they, and their children, can have a decent chance to being part of the great potential of Silicon Valley.

All families in our region should be able to find housing that they can afford so they can keep living here. Children that are able to continue to play with their friends and stay in their schools within Silicon Valley. And their parents should be able to be part of a stable community and strengthen their neighborhoods. The employees of this region are able to continue to live and work in a great region,



and their employers should be able to recruit the best and brightest to keep our economy going. This is a vision that we are trying to achieve through our commitment to affordable housing.

Once again, welcome to San Jose. I look forward to your partnership, and the state's legislators' support in achieving this vision of affordable housing on behalf of families of Silicon Valley and California. Thank you.

#### **IV. Select Committee on Housing Working Group Reports**

*Assemblymember Diaz:*

So right now, what I would like to do is ask the working groups, there were four of them that were created from the Advisory Group, to now make their presentations to us with your recommendations and ideas. The first group that I would like to invite up, is the Team Number One: The Disconnect with State Laws, Regulations in the Silicon Valley, and to make the presentation is going to be Alex Sanchez, the Director of Santa Clara Housing Authority. And we're looking at tab number five.

Good morning, Alex.

##### **Issue Team # 1**

*Disconnect With State Laws, Regulations, and the Silicon Valley  
Captain, Alex Sanchez, Santa Clara County Housing Authority*

*Mr. Alex Sanchez:*

Thank you. Good morning, Mister Chairman, members of the Select Committee. I am Alex Sanchez, the Executive Director of the Santa Clara County Housing Authority.



As you all know, being directly involved in affordable housing issues throughout California, Santa Clara County is experiencing dramatic impacts by the lack of housing affordability in this region. While our incomes are relatively high, the median income in the Santa Clara County, for a family of four, is \$87,300. What that

really means is that you could be very low income in this region and be earning twenty-two dollars an hour.

Our local housing situation is severe, and what I tell people about Santa Clara is we're really the tip of the arrow; that the rest of the arrow is the rest of California. That other markets in California are beginning to feel the same type of pressure for housing that we have been feeling for a number of years.

To summarize, housing is not affordable, although we have a mean income that is relatively high, people on fixed incomes and those earning wages below the twenty-two dollars per hour that you need to have to be able to afford the typical apartment, cannot afford decent housing. We also have a serious supply of housing problem. Particularly affordable housing, as Mayor Gonzales indicated.

In addition to the lack of supply, we also have aging housing stock. A lot of the housing built in this region was built after World War II, so those units that we built in the sixties and seventies now need to be repaired. Homelessness continues to be a significant problem.

Finally, the housing component of our traffic congestion problem is, really I think, a significant piece of the traffic issues we face, not just in this region, but in California. Many people tell me that they drive until they qualify. And what I mean by that is they start seeing homes in this area selling for in the low six hundred thousands, so they continue driving, looking at billboards and eventually they find themselves ninety miles away where homes are in the low three hundreds.

There are typically two sources of funding for producing affordable housing. There's debt, which is in the form of commercial loans or grants from local governments, or loans from local governments, that are to be repaid over time by the project. The rents collected ultimately generate an income that's used to retire that debt.



***“While our incomes are relatively high, the median income in the Santa Clara County, for a family of four, is \$87,300. What that really means is that you could be very low income in this region and be earning twenty-two dollars an hour.”***



A second piece of that is equity. Typically, a developer's cash that he invests in the development, or, in the case of affordable housing, a very attractive tax credit that is provided to corporations and high-

income individuals to shelter their income. And that's the low-income housing tax credit. In California, the tax credit is administered by the Tax Credit Allocation Committee that is out of the State Treasurer's Office, and they basically manage two programs.

One is what's called a Nine-Percent Tax Credit, which is a deep subsidy that is very competitive, that is in high demand throughout the state.

The second, is a Four Percent Tax Credit which provides slightly less money, but can be combined with other incentives, such as tax-exempt bonds. That particular program is much more reasonable, in terms of competition, and is attractive to developers.

### Issue Team # 1 Proposal

And so, what we're going to focus on, in my brief comments this morning, is to make changes to the Four-Percent Tax Credit Program so that we don't artificially cap the amount of credits that can be given to projects, thereby generating additional resources for housing.

To touch on some of the detail, the Tax Credit Program is allowed by federal law; Section 42 of the Internal Revenue Code provides for the Tax Credit Program. Both the Nine-Percent and Four-Percent Tax Credit programs are available through this authority. The Nine-Percent Tax Credit Program is in high demand. We apply for those funds, but typically they're three to four hundred percent expectations. Three applications to four applications for everyone that actually receive an allocation.

The Four-Percent Tax Credit Program is not as heavily committed,

***"Many people tell me that they drive until they qualify. And what I mean by that is they start seeing homes in this area selling for in the low six hundred thousands, so they continue driving, looking at billboards and eventually they find themselves ninety miles away where homes are in the low three hundreds."***



and virtually all applications for four-percent tax credits are funded, where they get a tax-exempt bond allocation, plus the ability to tap the Four-Percent Program. Unfortunately, current regulations unnecessarily limit the amount of four-percent tax credits that can be allocated to each individual development. That limitation has effectively reduced the dollar amount available to Four-Percent Tax Credit projects by nearly twenty-five percent. This is where we would like to get your assistance.

## **Recommendation**

We would like the Tax Credit Allocation Committee to change their current regulations to eliminate the tax credit threshold basis for limitations for private activity bond financed apartment complexes. This change will permit tens of millions of dollars more in tax credit based corporate equity to be invested each year in California and potentially millions each year in the Santa Clara County.

This change will have no direct or indirect expenditure or tax revenue impact on the State of California or local government and will permit substantially more affordable housing to be developed and at reduced subsidy costs per unit to local government.

## **Issue Team # 2**

*Tax Credits and Incentives*

*Captain, Mayor Thomas Springer, City of Gilroy,*

*Co-Captain, Paul Stewart, Santa Clara County Association of Realtors*

### ***Paul Stewart:***

Mindful of the current fiscal environment at the Capitol, it may be as fruitful for the Select Committee to consider methods to incentivize the provision of affordable housing, in addition to considering funding actions in the area of tax incentives and tax credits. As we go through our remarks, you'll see much overlap from Team Number 1, in the fact that Alex, and his group, covered issues also dealing with tax credits.





I'm not going to recite the issue synopsis that you received as part of our report, but I'll underscore those recommendations for state legislative action. Since each state is allocated tax credits annually in an amount equal to a statutory dollar amount on a per capita basis, the Sub-Committee recommended the Select Committee explore state legislation to expand and augment tax allocation by opening the competitive requirements under which projects vie when the state allocates its tax credits.

Secondarily, we recommend that you enhance, or create a local-state partnership to lobby federal agencies to increase the amount of per capita tax credit received by California.

The task of structuring a tax credit involves estimating the amount of tax credit equity a development can receive, then determining additional financing needs. This would include a variety of factors, not the least of which is the tax credit bases or the development costs eligible for tax credits. The Sub-Committee recommends to the Select Committee to consider state legislation to expand the eligible tax credit bases.

Third, to apply for tax credits, a developer must submit a detailed proposal to an allocating agency. This proposal must describe the housing project, including identifying the total number of units and the number of units expected to qualify for tax credits. Even with the possible shortfall anticipated in the state budget, the Sub-Committee nonetheless recommended the Select Committee consider state legislation.

The Sub-Committee recommended state legislation to expedite funding for affordable housing projects in high cost areas, in areas with more than a sixty percent unmet need for affordable housing based on fair share allocation formulas and/or increased matching funds. The Sub-Committee did recognize that such a proposal might create some controversy on the local level.

Finally, after the state allocates tax credits to developers, the developers typically sell the credits to private investors. The private investors use the credits to offset taxes otherwise owed on their tax



returns. The money these private investors pay for the credits is paid into the projects as equity financing. This equity financing is used to fill the gap between the development cost for the project and the non-tax credit financing sources, such as mortgages or rents, that can be expected to be repaid from project incomes. The Sub-Committee is recommending to the Select Committee state legislation to create a “certificate of participation” process for tax incentive use.

And at this time, I’d like to introduce Mayor Springer to give a more detailed presentation.

*Assemblymember Diaz:*

Good morning, Mayor Springer.

*Mayor Tom Springer:*

Good morning, Mr. Chairman, members of the committee. I am very happy to see our representative in the Assembly, Simón Salinas, is here. He knows about what we’re doing in Gilroy, but for the benefit of the rest of the committee, as background information leading up to what I’m going to talk about, which is this new concept of certificates of participation, I’d just like to give you a little background on Gilroy.

I am an immigrant into Gilroy. I was born in Southern California. I grew up in Hollywood. I actually remember the Long Beach Pike, when it was in operation many years ago. Had great times there. Most of my life, I lived in rental housing growing up. My parents were not rich. My father was an auto mechanic and my mother managed the shipping department for Carnation Company. It was a struggle on their part to be able to buy a home, so I know first-hand, from my own personal background, what families in our communities are going through.

And it’s not just here in the Silicon Valley; it’s throughout the state. It’s all over the Southern California area. My sister recently moved to Oregon because she could not, being fifty-two years old, strug-



gling all her life every finally realize her ability to buy a home in Southern California. So I've seen it first-hand.

The City of Gilroy's new General Plan has inclusionary housing; we have developed the neighborhood district, where we will include up to thirty percent of the housing built in all new parts of our community, in a blended community environment. Rental, low-income housing of different types. We've walked the talk. We know what's needed. And what's needed now is money, very simply. The impediments to building more affordable housing in the City of Gilroy are; simply, we don't have the money. We do not have a Redevelopment Agency; the voters rejected it. Even if we did, we wouldn't have enough money to build the housing that's needed.

So I want to suggest to you today, something that our little working group came up with, in terms of what, we in Silicon Valley are famous for thinking outside the box. The best way to describe it since it's becoming an overworked cliché is taking a new perspective on things. Sometimes it helps to take a different view, from a different point when you look out to see the territory in front of you.

So the suggestion today is to look at a new approach, a new perspective. And that's something called "Certificates of Participation," which you're all familiar with as financing instruments, but this time, apply them to housing. CEQA projects that identify housing impacts for communities should require those projects to compensate for the housing demand that they are going to place on those communities.

The approach is very simple. We know if we combine, not only the needs that we see on the housing side, but the needs that have been identified as part of the regional determination of housing needs, what each city is expected to build anywhere in the state in terms of housing to maintain the affordability and the marketplace housing mix that it must have. If you look at the affordable housing side of the equation, we in Gilroy, for example, know how many housing units we're supposed to build. We don't know how we're going to build them, because we don't know how we're going to finance them.



Take a totally different view of a tax credit, not the traditional view. Have the state, each year, based on the housing needs of what it feels must be constructed that year, commit to a certain allocation amount of money. Not physically money it must give out, but physically the amount of money it would allow the private sector to take as a tax credit on its own taxes. That is the amount of money the state would authorize all communities in California to issue COPs against. Each county would be limited to the amount of COPs in perspective the amount of housing it was supposed to have under Regional Housing Needs.

Its needs based, obviously the need is based on private industry demand. It's needs based on what the communities are expected to build. It would provide a financing mechanism through the private sector to allow them to come in and purchase, and even potentially trade their securities one to another. The money goes directly to the cities, and the cities administer it, as we would do when we do affordable housing.

Our affordable housing program, for every affordable housing unit we authorize to be constructed, requires that unit to be maintained as affordable housing, rental or for sale, with deed restrictions and other contractual provisions for fifty-five years. We control the rents based on income levels in our community, which are lower than the income levels in Santa Clara County. So we apply a weighting factor. We control rents; we control re-sale on all homes for fifty-five years. We could then turn that money over to our South County Housing non-profit agency, who could then continue to partner with our private developers in building communities that included housing in mixed mode, affordable and market-rate, in blended communities and we would not have a financing problem ever again.

I'm glad to take any questions.

*Assemblymember Diaz:*

What I would recommend to my colleagues, here, on this committee is that we have a discussion with our various state



agencies based on the recommendations we're hearing today. And then we would consider having another hearing later on, and go into your committee, as the Chair of the policy committee, dealing with all the housing advocates here in California, and come up with a good package that we think would have some strong support from the leadership in Sacramento.

And I was having discussions, also with the Davis Administration dealing with how we can increase productivity, realizing that we're going to have less money next year, but again, I want to reemphasize this: for me, it's not just about next year, it's really long term strategy.

***"...there is a myth in California that local communities are not interested or aggressively pursuing building affordable housing."***

So we are going to look at these recommendations that you've discussed, Mayor Springer dealing with the tax credits

ability to work on a regional basis. I kind of like that approach, myself, but I guess we have to look at it, see what it means as far as getting additional housing built and what the fiscal impact will then be to the State.

***Mayor Springer:***

Mr. Chairman, members of the committee, I want to make sure that all of the Members of the Legislature, not just the ones forming the Select Committee, that all of them understand that there is a myth in California that local communities are not interested or aggressively pursuing building affordable housing. It is a myth.

We want to build the housing; we deal with land use issues every-day. Our City Council meetings are consumed with land use issues and worries about housing. We lack the means. It's not a lack of desire; it's a lack of ability. If we can address the ability, the means deficiency, we will solve this problem together. And we can solve it at the local level, just give us the means. Anything you can do to help us, we'd extremely appreciate.





*Assemblymember Diaz:*

Thank you. And now that you've made that comment, I also want to share with you and the folks here that when I was on the San Jose City Council, I can tell you we were always looking at improving our tax base, as you know. And in many cases not building as much housing as we possibly could because we were trying to build more commercial/industrial development in the City of San Jose, which really hurt building more affordable housing overall.

I know that my colleagues have heard this argument many times, but at some point too, we have to start looking at some reform in our taxes, in the way we tax properties, and I know it's very controversial with a lot of folks. So residential development could really be a strong incentive versus just what it tends to be in certain jurisdictions. Just a general comment right now.



### **Issue Team # 3**

*Smart Growth*

*Captain, Michael Elliot, Working Partnerships*

*Assemblymember Lowenthal:*

I would like to move to the next Advisory Working group report. The Team Captain is Michael Elliott. Mr. Elliott:

***“In order for the State to have the greatest impact on smart growth land use and transportation policies, it is critical to support local efforts that already have a coalition of stakeholders and common agenda in place. “***

*Chair, Michael Elliott, Working Partnerships*

Thank you Assemblymember Lowenthal

In order for the State to have the greatest impact on smart growth land use and transportation policies, it is critical to support local efforts that already have a coalition of stakeholders and common agenda in place. Santa Clara County is in a unique position because of a Housing Task Force that has established a regional vehicle to develop and implement policies our subcommittee was asked to consider. Rather than create a new layer of deliberation and coalition building, we believe the state has an opportunity to

take a unique local effort to scale and realize lasting outcomes.

Therefore, we recommend the Select Committee support legislation that will allow the state to explore new incentives to encourage cities and counties to develop regional housing solutions, using the Santa Clara County Housing Task Force as a model. Because a strong regional foundation has already been built, the state can leverage local efforts and maximize an investment that will be focused not on talk, but outcomes.

- The Santa Clara Housing Task Force is in the process of finalizing a far-reaching proposal that will transform the county role in housing for the coming decades.
- Equally as important, it has created a regional coalition of government, industry, community, faith and labor organizations committed to regional smart growth strategies. The Task Force has generated dozens of recommendations relevant to this subcommittee. A complete listing of the recommendations are attached to this document.

Some highlights include

- Establish a County Commission on Housing with representatives from all County jurisdictions to foster a collective dialogue on issues of housing and provide a vehicle for regional action
- Support local jurisdictions in the increase of density requirements
- Lead efforts and create incentives to build housing near transit
- Develop a fast track for affordable housing projects
- Support mixed use and in-fill development

*Mr. Paul Wysocki:*

Thanks, Michael. I'm Paul Wysocki, and I was engaged by Supervisor Beall's office starting in May (of 2001) to help produce the Housing Task Force, run the process, and keep it going. And when Assemblymember Diaz announced his committee, it occurred to me that there was a nexus that was occurring. A nexus between



the work of the County, the work of the State and then Mayor Gonzales announced his Housing Summit coming up later on. And I thought this is a perfect time for us to look at how we can truly work together.

So we talked to Manny and we said, “Could we possibly create a pilot project for urban counties in California?”

So why don’t we make a regional effort that communicates openly with the state administrative side, with the elected official side, with the grassroots side, and with the cities and school jurisdictions? Then carry this work, on an ongoing basis so that we’re not looking at mandate approaches every period.

So with that Issue Team # 3 asks that the State provide financial support for a regional planning pilot. We’re not talking a lot of money in terms of the overall picture to create a model that could be used by other urban counties. We think we’ve got something that’s very workable here. Thank you.

#### **Issue Team # 4**

*Preservation of Affordable Housing Stock*

*Co-Captains: Ron Morgan, Community Housing Developers, Inc. and John Doherty, Law Foundation of Silicon Valley*

#### ***Assemblymember Diaz:***

Now we’re going to Team Four. The topic was the preservation of affordable housing stock and to present this afternoon is Ron Morgan, from the Community Housing Developers, and John Doherty, from the Law Foundation of Silicon Valley. Welcome.

#### ***Mr. John Doherty:***

Good afternoon, Mr. Chair and Members of the Committee. We appreciate your time and invitation to speak with you. I’m here with Ron Morgan. Ron and I co-chaired this issue team. We have split up our presentation today. Ron will be introducing himself after I make a few brief introductory remarks.





I was on, now-Senator Tom Torlakson's Preservation Select Group back in 1996 and '97, when that was first an issue. So preservation is not new. In fact, for the last twenty years, low-income individuals and families have been running on the affordable housing treadmill. And in the last six years, this treadmill has gotten faster, smaller and more slippery. And the reason our affordable housing situation resembles a treadmill is that, even as we open new developments, issue more bonds, and set aside more redevelopment money, affordable units are disappearing out from underneath our feet.

***“In fact, for the last twenty years, low-income individuals and families have been running on the affordable housing treadmill. And in the last six years, this treadmill has gotten faster, smaller and more slippery.”***

As we mention in our paper, more than fourteen thousand federal units, and twelve thousand state-financed units, have already pre-paid or initiated pre-payment in California. Estimates are between one hundred-twenty thousand and one hundred-seventy thousand units being at risk

of conversion in California. When you compare these numbers with our production numbers, you can see just how important preservation is. If we don't preserve our current stock of affordable housing, all of our efforts at producing new affordable housing are going to be for naught. So, Ron is going to start us off with a discussion on some of the state programs and properties.

***Mr. Ron Morgan:***

Thank you. Good afternoon. My name is Ron Morgan. I'm the Executive Director of Community Housing Developers. And I've been building affordable housing in Silicon Valley for about twelve years, but I've been financing affordable housing throughout the county for about twenty. So, I know a little bit about how these programs work, I know a little bit more about how they're supposed to work.

What we're attempting to do, is to address specific technical issues at the state program level that we see as, perhaps, a little inefficient and maybe slowing down the production of new housing, as well as the preservation of older housing.



Some of these problems stem from the fact that over the years, a number of different programs have been created. In trying to do some research on this paper, one of the issues that came up was that it was very hard to figure out what actually had been produced, where it was, and whether it was still affordable. The number of programs over the years handled by different agencies, i.e. CHFA, Housing and Community Development and countless direct bond issued units have contributed to the affordable housing stock throughout the State. Everyone knows how much money was spent or bonds issued. Everyone knows where the funds were originally intended to be used and housing developed.

I have, however, been unable to identify a specific repository of information that can identify whether the units originally used for affordable housing are still in the programs or whether the rents are still affordable. Many of those involved can point to dollar balances of loans or bonds still outstanding but have difficulty identifying units that have reverted to market or had significant rent or cost increases. Very few know which ones, in which areas were pre-paid.

One of the major things that we are lacking is that, on the federal side, there are a couple of groups that you can call and you can say, “give me a list of all the housing units that are eligible for pre-payment and when”, “which one’s have opted out?” At the state level there is regulation that says you have to tell us two years prior to opting out of a program, or if you are not going to renew the program. There is however no mechanism for following up on them. I think there is a wide range of options the state can do when this does happen. I’m not advocating a whole lot of new changes to regulations, I am just suggesting a repository of data that is current.

## **Recommendations**

Number one, there be a person, an agency, or a group, that’s tasked with trying to identify all these various state programs that have issued affordable housing bonds and loans. The goal would be to develop a central database that has all the critical information about these properties, including the type of restrictions, the cur-



rent rents, and the number of affordable units. Because until you have an idea what the scope of the problem is, it's very difficult to present any kind of solution.

Number two, is that the notification periods, which are, or may not, be in here, need to be addressed as to how we can make sure that the right agencies are notified that these units are coming off of these programs, and be able to identify what they are, where they are, so we can see if there's regional impact. Because dealing with this on a statewide basis, and part of our task was to look at this statewide, as opposed to only Silicon Valley, is to say, "if there's a preponderance of pre-payments in Silicon Valley, but there's none in Los Angeles, what resources need to be allocated and reallocated?"

So, primarily what we're advocating, and discussing at this point is that a central repository of information be created. The State Agencies such as HCD and CHFA have existing staffs, they don't need to recreate them. We're not talking about recreating bureaucracy; we just need to have a coordinating team.

Someone at a higher level can look at it and say we're going to have ten thousand units in Los Angeles, or in San Diego, coming off the roles tomorrow, or next year. We can focus on a geographic area; we can focus on a region and come up with an idea of how to best allocate the existing resources to either stop that from happening or explore other options to maintain these units as affordable housing stock. There are multiple ways to stop this thing from occurring quickly.

Our bent is on economic incentive, rather than the legislative carrot and stick approach... On the financial side, there are a number of tools that we have that do not increase, or decrease, state revenues.. On thirty-year loans, when the loan is paid off, that property becomes lost to the community. There are incentives that we can put into place that would encourage owners to stay affordable or sell to a new owner who will maintain the affordability as HUD currently does.



*Mr. Doherty:*

I just have a couple more things to wrap up. As Ron indicated, my background is as tenants advocate. I am a co-founder of the Santa Clara County Tenant's Association. And so, I'm definitely in support of a lot of things that Ron has mentioned.

Specifically, this federal database that is complied by the California Housing Partnership Corporation (CHPC) has been invaluable in our efforts to organize tenants and get community responses throughout the state. And so, when we get the tenants, the local governments and the non-profits involved, it's much more likely to preserve the properties, and we're only able to do that because of that database. So getting a similar project on these other bond and state finance projects would be extraordinarily helpful from that perspective.

Also, one thing I worked on, was getting the state preservation notices, originally passed by a bill AB 1701 to cover the types of notices that have to occur when an opt out or a pre-payment at the federal level occurs.

- There is not the same sort of notices, or things in place for these other projects we're talking about, that are state financed, bond financed. And so there are possibilities to look at extending Cal Government Code 65863 to cover more properties than it currently does.
- The other thing we'd like to recommend is that the state be doing a review of the notices that are actually required to be sent into HCD. Right now, with these federal programs, numbers of notices come into HCD, but no one at that level is doing any deficiency/adequacy review, to make sure that the information and the notices that are supposed to be happening are actually happening. The notification periods required under federal and state law are some of our most useful tools in the preservation fight. There should be government oversight to ensure that the proper notices are being given.



## **V. Report of the County of Santa Clara Housing Task Force**

*Supervisor James T. Beall, Jr.*

*Chair, Santa Clara County Board of Supervisors*

### ***Assemblymember Diaz:***

I would now like to ask County Supervisor Jim Beall if he could please present on the report from Housing Task Force that he currently chairs. Good Afternoon, Supervisor Beall.

### ***Supervisor Beall:***

Good afternoon. I am the Chairman of County Board of Supervisor in Santa Clara County.

In my "State of the County" address this year, I called for the creation of a Housing Task Force, and developed a six month community planning process, creating a broad based coalition of housing advocates to develop and prepare recommendations to the County Board of Supervisors for consideration related to a countywide housing action plan. And for many months, we had hundreds of county community and business leaders gathering to consider, analyze and develop solutions to our county's housing crisis.

A diverse spectrum of housing community, including labor, public officials, school districts have dedicated many hours of hard work to this process and we're now in the closing stages, and the report will be presented to the Board of Supervisors at their December 4, 2001 meeting.

This is historic because the County has proposed to enhance its role in the housing arena. As you know, most housing issues are generally developed in the city governments. County governments in California, generally, have been less involved in housing, although some counties have taken leadership roles because of their situation. But in Santa Clara, since development occurs in cities, the county has not been very involved in housing development. And we feel that we have a successful plan. And invited many people to encourage their ideas and passions on important topics.



The Housing Task Force established five major areas, which we believe we can pursue through actions and recommendations.

- The first one is the creation of a community land trust.
- Second, is to address the special needs populations in our community. The County did an inventory; we did a study of all the individuals in our county that has special needs in mental health, and other special needs. We found there's a large number of people, and actually a large amount of investment by the County and other agencies in the area of housing. Generally it's in rent, not in actually building housing, however.
- Third area is government surplus land, which I'm sure you're interested in.
- Fourth one is public employee housing services. We've had a large number of vacancies in our county departments due to the high cost of living in this area, and attracting public service is somewhat difficult.
- The last one, the fifth one, is regional housing blueprint.

Now, our group met many times and we developed some recommendations, and we developed some principles, as a mean to guide the work of each group.

The principles included:

- Defining the problem,
- Consideration of resources and barriers, in particular how they apply to Santa Clara County
- Third, ensure the objectives are focused and quantifiable, and
- fourth, recognizing the work of others and building upon that.





If Santa Clara County is to effectively address the housing needs of our region, we have to work collaboratively. All levels of government must work for solutions to take a positive step in that direction. We think that the countywide Housing Task Force is an idea whose time has come.

We believe that the budget situations that we face, just as well as you face, is a dilemma in the fact that we have an increased demand on us due to the caseload increases that occur. So, as we're having economic problems, we're also having a caseload increase at the same time. It's a serious dilemma that we have to face, and I think we need to think strategically at this point on how to build our assets that can survive our economic ups and downs. And one of the areas is to build our assets in housing.

Very few people in our county live and work in the same city, yet each city has its own plan and its own housing efforts, of the fifteen cities in the county. And what we're trying to do is view this as a regional infrastructure issue, not individual cities doing their own particular thing, but together in a collaborative manner, coming together on a regional basis and developing a planning process and policies that make sense for the whole county.



## VI. Public Testimony

*Assemblymember Diaz:*

Now is that portion of the hearing we're going to open up to the public for comment. I would like to ask if you can keep your presentation, or your comments, questions, to about three minutes. So, we're going to start off with Sandy Perry.

*Mr. Sandy Perry:*

I think that our main point of view is that we've heard a lot of technical discussion today, but our main idea is that we find that housing and homelessness is primarily a moral and a spiritual problem, rather than a technical problem. There are a lot of technical solutions, which can be brought to bear, but we first have to get our priorities straight.

We base ourselves on the United Nations Declaration of Human Rights, Article XXV which includes a right, a human right, to housing, therefore if we agree with that, and I haven't heard anyone on the panel this morning mention it, that means our protest be moral and strategic, it can't be just incremental and quantitative.

We've gone through, what I would call a charade, in San Jose, where every year we prepare a consolidated plan that outlines the need, the housing need in San Jose, and then proceed to offer a plan which doesn't meet the need at all. So what we need to do is discuss need and come up with plans which meet that need. Another part of that is to include to homeless themselves in the process.

We need a recognition on the part of legislators here today that controversial issues need to be decided in favor of human rights not special interests.

For example, repeal the Costa-Hawkins bill. This is a bill which allows rents to rise; in Santa Clara County they rose in the year 2000 thirty-eight percent. This situation creates homelessness. That's a moral problem. It needs to be repealed.





We need to eliminate fiscalization of land use. This created the situation in San Jose, with the Cisco development. It had a huge housing impact, but because of this fiscalization problem San Jose refused to recognize it, and as a result, the housing director there said that San Jose had no housing problem, which is a laughable statement if it wasn't so cruel.

But above all, we want at all levels of government to demonstrate a commitment to ending homelessness! We advocate that all levels of government pitch in to provide rent subsidies now, until the housing is built. That will give a built in fiscal incentive to guarantee success because, again it's a moral issue. We need to get these homeless families and children off the street.

*Assemblymember Diaz:*

Go ahead Scott.

*Pastor Scott Wagers:*

I want to welcome all of you all to San Jose. When you came here, I don't know if you saw the demonstration, but most of the people that were out there are members of my church, who live inside the church, First Christian Church, out on Fifth Street.

The international media often comes; the CBC came down to the church, the Canadian Broadcasting Corporation. They said, "Well pastor, what's happening here in Silicon Valley, where people live in a church?" Families, there's thirty-seven children living in my church right now. And I said, "Well, I read a statistic recently that said one has to make approximately thirty dollars an hour to be able to afford a one bedroom apartment here." And I said I would ask you how can students, police officers, teachers, service workers, on down to "Six-pack Jack", how can they afford to live in this valley? And I would ask you is the current course of action we are taking realistically addressing that fact?



The housing we deem affordable is really for those that make about seventy thousand per year. That's not affordable, that's not true

affordability. Affordability would mean that people that earn minimum wage could actually afford to live here. We know that's not realistic and that's not happening. So we've met with the mayor and there have been strides made in Santa Clara County, but the truth is there's an exodus from Silicon Valley. These are the people that built this valley. The people that make up the backbone of our economy cannot afford to live here. That's the bottom line. And no politician has come forward with a realistic solution to that.



We've come up with projected housing needs and in the ELI category that projection is something like twenty-two thousand units need to be built now. And the city is going to build, you know, a few hundred. And I think that everyone is mindful of the problem, but I don't see, and have not heard any realistic solution. I mean a realistic solution, something that really cuts to the chase and says, "Okay, we've got... our shelters are always full.

The international press people say, "Wow. People can't afford to live there anymore, what's going to be done about it?" I don't have that answer. But I know the pain of homeless children, that I see everyday. That is a horrible thing. To watch little kids sleep on the floor day in and day out when their parents are struggling to try to make ends meet is a terrible thing. And I know you guys know that, but I would just ask that we think outside of the box. Because we've been on all the tasks force, I've been on the Mayor's Task Force and everybody I talk to agrees: something different has to be done.

And so I will leave you all with that challenge. I appreciate the hearing, Manny, and just being able to be here, but in God's name, we need to do something, because I see too much of this day in and day out, and it just continues to get worse... It just continues to get worse. Thank you all. God Bless you.

***Assemblymember Diaz:***

Thank you, and let me assure you Scott and Sandy and to your group here that, just speaking for myself that I want to do everything possible to help our homeless people here.

I know some of them that are my friends and one day they had a job, and the next day they didn't. And if you're living from paycheck to paycheck, you can be homeless almost instantly. And that can happen to anybody at any time, and with this downturn in the economy, and now that we've already experienced about seventy thousand layoffs here in the last few months. Seventy thousand layoffs right now we're talking about. The problem's going to get even worse.

You know, one of the things that we really didn't talk about today, but we need to ultimately talk about is, we need to talk about what affordability means to who. And when strategies and financing are being developed, putting the higher priority at the extremely low-income category, when we are trying to provide more affordable housing.

And so, to my colleagues here, I just wanted you to know that's an area... I always believe we should try to help those that don't even have a roof over their head before anybody else because you mentioned the moral right. So that's something that obviously that is a very high priority for me. So thank you for being here this afternoon.

Now I would like to ask Saul Wachter from the Affordable Housing Network to make his comments, questions anything. Good afternoon Saul.

*Mr. Saul Wachter:*

Good afternoon. Thank you for this opportunity to speak to you. The Affordable Housing Network of Santa Clara County has been working since its inception thirteen years ago to encourage local government to develop and carry out plans for solving the affordable housing crisis. Slowly, and with some resistance, some progress has been made because of community demands.

In its current consolidated plan, San Jose quantifies priority housing needs and the projected goals to meet its needs. The report reveals a need of 47,709 affordable units, for people whose incomes



are less than eighty percent of the area median. The stated goal, however, over a five year period is to produce 7,124 units. The City does not say why the need cannot be met, or what the City intends to do about it. The City's plan relies on existing available resources, which are only sufficient to meet fifteen percent of its affordable housing needs. And the City's housing elements submitted to the state does not reveal this immense disparity.



We recommend that the housing requirement elements include a showing of shortages in each income category and a comprehensive plan to meet that shortage over time. And that the law be amended to provide significant penalties when cities fail to file housing elements and complete reports.

We have a bone to pick regarding the use of ABAG figures as a basis for the housing element. It's completely unreliable and unrealistic and everyone knows it, as a matter of fact. Even a former member of the ABAG committee, Shalda Powers, who used to be a member of the city council of San Jose, admitted that publicly. It's not based upon reality, it's based upon optimal vacancy rates. There are much better ways of determining need.

The most direct evidence of the inappropriateness of ABAG figures in measuring need is the fact that the city of San Jose reports, but discards these figures completely in the current consolidated plan and its earlier versions. The ABAG figure for total estimated need for all low-income households in San Jose combined, zero to eight percent of the median income, is 7,701 units, while the City's projection for total need for the same category of income levels is 47,709, more that six times greater than the ABAG figure. Something has got to be done about this.

Now we know, of course, at the present time, cities object even to the low figures which ABAG figures allocate to them. They complain about that because they have no plans it, even those. But nevertheless, we think that reality is really necessary. The 1990 census showed that San Jose had a shortage of over 26,000 housing units affordable to families in the zero to fifty percent of area median income. This number has become much larger during

this extended housing crisis. We contend that the ABAG method of determining need does not result in depicting reality, and their methods must be changed. Thank you.

*Assemblymember Diaz:*

Thank you, Saul. Next, I'd like to ask Fran Hirsch, from Brandenburg, Staedler & Moore, representing the mobile home community. Good afternoon.

*Ms. Fran Hirsch:*

Thank you. Good afternoon. My name is Fran Hirsch; I am director of property management for Brandenburg, Staedler & Moore. We own and operate fourteen mobile home communities, twelve of them in Santa Clara County and two in Alameda County. And we built all of these communities ourselves as long-term investments. I think your chairman will be able to tell you that we are definitely the Cadillac of the industry. I've been in this capacity for the past twenty-three years. And I've been very active on three levels; local, state and national on behalf of the industry. So I think you can have some confidence that I am knowledgeable.

We've seen a remarkable change in the mobile home parks, in the area in particular, in a couple of ways.

First of all, the demographics have changed dramatically over the past ten to fifteen years. Where our populations used to be pre-retirement and retirement-age people, that's no longer true. The mobile home parks around here are primarily family parks, and they provide comparatively affordable housing for working families.

We've also seen a dramatic change in demographics in terms of ethnicity. Where our populations used to be all white, they aren't, definitely, anymore. We see a real mix, including many recent immigrants. So I think we provide a real housing resource in this area.





The other major change that we've seen is the replacement of mobile homes and trailers with today's manufactured homes. They're larger, they offer a variety of amenities, including real walls, that yesterday's mobile homes definitely did not. However, the mobile home parks around here are all at least twenty years old, so therefore we have new houses going into old communities with aging infrastructure. This is a major problem. It's a problem in the sense that there aren't the resources to bring the infrastructure of these communities up to same level as the houses have, in terms of quality, in terms of modernity. There is also the issue of providing services in these communities for families, now.



The reason for this is that our residents definitely don't want to pay more for the kinds of capital improvements that need to be made. The park owners are restricted either by rent control, by the fear of rent control, by negotiated leases, by various factors, and the resources are simply not there. And this is where government needs to take a look at this housing resource, this affordable housing resource. There are eighteen thousand mobile home spaces in Santa Clara County, eleven thousand in the City of San Jose. So this is not an insignificant segment of the housing, the at least comparatively affordable housing in this area.

***“The other major change that we’ve seen is the replacement of mobile homes and trailers with today’s manufactured homes... However, the mobile home parks around here are all at least twenty years old, so therefore we have new houses going into old communities with aging infrastructure.”***

A new home in a mobile home park today will sell for between one hundred thirty-five thousand and over two hundred thousand dollars. Sounds like a lot of money, it sounds like a lot of money to me. But compared to the cost of a stick-built house in this area, it is definitely affordable, even when you have to pay space rent in addition to the house payment.

One specific problem that we have is that interest rates on mobile home loans are considerably higher than interest rates on stick-built houses. And there are efforts going-on on both the national

and state level to attempt with the lenders and get them to bring down those interest rates. And there are good bases on which this could be done.

There's also the issue of possible subsidies for buyers of new manufactured homes. In particular, we had made some efforts over the years to get some assistance from the state with this, but the state told us that they couldn't use federal money for personal property on leased land. And then so we went to the fed and the fed told us "No, the state's wrong. They're not reading the regulations right." And so we need someone to take the lead in looking at this issue and determining how federal housing money can be used for this purpose. So that's a very specific thing that, I think, the state could do.

And then, of course, most importantly is the infrastructure problem; we have new houses going into mobile home parks that have thirty and fifty amp service and there are no resources to upgrade that service. We have band aids being essentially applied to the infrastructure, rather than the streets being rebuilt, rather than the fences being kept up, and so on. And what about providing playgrounds for children? Because there are children there now in communities that we not built to accommodate them.

So I think my major purpose today is to try to get into the mix. I'd like to be there. I'd like to work with you. And I'd like to work with you to find solutions that are constructive on behalf both current residents, future residents and the owners of these communities who want to do a good job of providing affordable housing. Thank you. Do you have any questions?

*Assemblymember Diaz:*

Thank you. But just to assure you, that my staff person will be contacting you to make sure that you are going to be included in part of this process.

I'd like to explore a little bit more, this financing situation that you mentioned about.





The higher interest rates for mobile home owners,

*Ms. Hirsch:*

Great. Thank you very much.

*Assemblymember Lowenthal:*

And there's a significant amount of legislation that does come through the legislature regarding mobile home parks. We would like to, and I will have my staff, look at the issue of the differences between, or the perceived differences between, federal and state in terms of what can and can't be done.

*Ms. Hirsch:*

That would be very much appreciated.

*Assemblymember Lowenthal:*

Your message, Ms. Hirsch, is to look at mobile homes parks as a source of affordable housing, rather than... well looking at this in terms of the larger issue of how we can increase that stock and provide the resources.

*Ms. Hirsch:*

Yes, thank you very much.

*Assemblymember Diaz:*

We have two more speakers. I'd like to ask Councilmember Steve Glickman, from the Town of Los Gatos, if he could come up. And then after him will be Ed Moncrief, from the Neighborhood Housing Services of Silicon Valley.

*Councilmember Steve Glickman:*

Assemblymembers, thank you for joining us today. The hour being



very late, I will make this very brief. We are, as a town, very supportive of affordable housing. We want this to succeed. In order for it to succeed, we need to cooperate.

And one of the concerns that I must express is whatever a municipality does has regional impact. Well, certainly whatever is done regionally, let alone statewide has local impact. When we look at proposals that use words like mandate or incentive, we're not quite sure what that means...

*Assemblymember Diaz:*

It usually means a carrot, not a stick.

*Assemblymember Lowenthal:*

Incentive is a better word than mandate.

*Councilmember Glickman:*

I certainly like it much better than mandate. We just wanted to remind you folks that when it comes to implementing affordable housing, that the folks that have local responsibility and knowledge of their local areas are frequently in a good position to implement it effectively. We don't want to work at cross-purposes with you.

Our mayor, Joe Pirzynski, has spoken to you earlier, has throughout this process, offered to cooperate in any way we can. We are sensitive to this issue. All of the municipalities want to help, but we need a place at the table. When suggestions are made, those who recognize the impacts of those suggestions need to be there to comment.

So, I again, simply mention that we are from the government, and are here to help. I am from the government, and you are from the government, and we are here to help. But we want to help cooperatively. So we look forward to working with you.



*Assemblymember Diaz:*

Thank you for being here this afternoon Councilmember Glickman. Your Mayor, Joe Pirzynski, has been participating at the table with our “Advisory Working Group.” So thank you for being here this afternoon.

*Mr. Ed Moncrief:*

Good afternoon, I am Ed Moncrief, the Executive Director of Neighborhood Housing Services, Silicon Valley. I wanted just to make sure that the Committee is aware of the Neighborhood’s work throughout the state.

We are locally based non-profit corporations that are chartered by the Neighborhood Reinvestment Corporation, which itself is a Congressionally chartered institution that provides resources and training technical assistance to the network throughout the United States. And we have fourteen members of the network, local non-profits, in the state of California, many of them perhaps in your own jurisdictions. And the network has focused primarily on trying to revitalize neighborhoods by extending homeownership opportunities to low-income families, and trying to preserve the housing stock for those families, especially in lower-income neighborhoods where, as we have seen in the City of San Jose, many are being pushed out.

We do that by opening up homeownership centers. And we have worked closely here with the City of San Jose to open up a homeownership center in East San Jose, and we are also working closely with the city to provide not only the knowledge that families need through homebuyer education, but also the resources they need with down payment assistance programs. We are also working with state resources to channel below market-rate financing, deferred financing to families so that they can compete in the market and be able to purchase their own homes.

We are beginning to make commitments to families with deferred loans, so that they can purchase homes here in San Jose. We’ve



already put fifteen families into homes, and we expect to be able to do much more in the future.

I think it's a very important strategy in terms of preserving the housing stock, opening the door to wealth, which homeownership is, for families, and doing it in a way that provides them the knowledge they need through homebuyer education to be able to purchase their own homes. Thank you very much.

*Assemblymember Diaz:*

Thank you. With that, I wanted to thank all of you for participating in our hearing today. I especially wanted to thank Alex Sanchez and his staff assistant Shirley Baum, for arranging and organizing this wonderful conference site for us. And I also wanted to thank Leslye Corsiglia, Director of the San Jose Housing Department and her staff for helping us as well. And also Paul Stewart of the Santa Clara County Realtors, for hosting the two working group dinner meetings.

To Hugh Bower, the consultant for the Assembly Housing and Community Development Committee for your technical assistance to our committee, so thank you Alan for Hugh's assistance with us. And also, of course, I wanted to thank my staff here, Bob Reid, for helping the last few months, stressing for me. He took all of the stress, not me, in putting this whole thing together, and he got a little bit grayer hair, but he did a great job. And so thank you Bob.

And I also wanted to thank all twenty-five members of the advisory working group for their commitment this past summer and this fall. As you can tell from today's discussion, a lot of thought has already been put about some good ideas. And I'm glad that our state housing officials were able to make it today.

I know there's talk about doing this housing bond measure for next year. Administratively, we can do some changes. But again, I want to emphasize that, for me, it's not just a commitment one time, it's an on-going commitment. I've been an affordable housing advocate for almost twenty years now, and I don't plan to change. I



want to continue to work on this.

I wanted to thank my colleagues for coming today. My colleague Simón Salinas. Thank you, Simón, for being here today.

And again, to my colleague from down south, Long Beach, a beautiful area, Alan Lowenthal, for being here today and your commitment. He's been an affordable housing advocate for many years as well; I would like to ask my colleagues if they want to make some comment, closing remarks.

## **VII. Closing Remarks - Select Committee Members participating in Hearing:**

*Assemblymember Manny Diaz, Chair*

*Assemblymember Alan Lowenthal, 54<sup>th</sup> Assembly District*

*Assemblymember Simon Salinas, 28<sup>th</sup> Assembly District*

### ***Assemblymember Lowenthal:***

You know, first it's a lovely region anyway, but I love coming to the Silicon Valley and to San Jose because of the great energy that's here. In the midst of this housing crisis will come an opportunity to really move our state forward and really develop the kinds of partnerships to look at regional approaches, to really look at the spectrum of needs, from construction, to preservation, to homelessness, to mobile home. In my area we have older mobile home parks that we really need to maintain and preserve.

Preservation is not just Section 8 issue. It's also a tremendous range of housing. It's nice to see that what we're trying to do is to link housing to other infrastructure needs, to transportation, to jobs, to really look at what the state needs, how we can actively get everybody to participate. I think really, if we can solve the housing portion of the puzzle, we will have done a great thing for this state.

And I'm really pleased, and I agree with what Manny said when he first began this, I did not come up here, from Southern California, today because I was looking for a short-term, quick fix. I'm in this for the long haul; we all have to be in this for the long haul. I plan,



to throughout my legislative career, to continue working on one issue, and that's the housing issue. Thank you.

*Assemblymember Diaz:*

Thank you Alan.

Simón?

*Assemblymember Salinas:*

Thank you Manny. Thank you for sharing this Select Committee and all the teams that worked on this. But obviously, as Alan indicated, we've been in this for a while now, and will continue to be on this to try to find some creative solutions. I think that the only thing it validates for me now is hearing some of the faces of the folks that we know are being impacted by the downturn in the economy. The folks that are one paycheck away from being homeless, being out on the streets.

The fact is, we're going to have to deal with some very serious cuts, but what it tells me, and I hope it tells my colleagues, is that we're going to try to make sure that those cuts come as far away from the delivery of services, from the shelters, from those folks that are living from month to month, to make sure that we can help them weather this downturn in the economy.

And on the rest, we'll deal with it. We have to do the political assessment, what's realistic, what we can get through the Assembly, the Senate and hopefully that the Governor can sign. And that's our task: to be able to work with the ideas from the local officials and some of the community advocates that are bringing forward to us.

I truly want to thank all of you for putting this together. I know it's countless hours before it gets here to us, and it will be countless more before we can get it into a form that can hopefully, at the end of the day, lead to some real brick and mortar projects to help with our homeless, with our affordable housing crisis here in California.



So thank you Manny and thanks to all those that contributed today.

*Assemblymember Diaz:*

Thank you. And again, thank you to all of you for your participation and just one last comment: Si se puede.







## APPENDIX

### ***Advisory Working Group Roster***

**Assemblymember Manny Diaz, Chair**

**Santa Clara County Participating Mayors**

**Dennis Kennedy, Mayor**

City of Morgan Hill

**Henry C. Manayan, Esq., Mayor**

City of Milpitas

**Barbara Nesbet, Mayor**

City of Monte Sereno

**Matthew T. Dean, Mayor**

City of Campbell

**Joe Prizynski, Mayor**

Town of Los Gatos

**Thomas Springer, Mayor**

City of Gilroy

**Sandy Eakins, Mayor**

City of Palo Alto

**Aldyth Parle, Vice Mayor**

City of Santa Clara

\*\*\*\*\*

***Non Elected Participating Members***

**Alex Sanchez, Director**

**Santa Clara County Housing Authority**

Paul Stewart, Govt. Affairs Director  
Santa Clara County Association of Realtors

Pete Carrillo  
Silicon Valley Advisors, Inc.

Annemarie Stahr  
Catholic Charities, San Jose

Jean Cohen  
Representing Supervisor James Beall

Kathryn M. Thibodeaux, CEO  
Tri-County Apartment Association

Bob Hines  
Govt. Affairs Director, Tri- County Apartment Assn.

Dave Hennessy  
San Jose Mobile Homes Association

Leslye Corsiglia, Director  
Department of Housing, City of San Jose

John Doherty, Directing Attorney  
AIDS Legal Services  
Law Foundation of Silicon Valley

Phyllis Ward  
Affordable Housing Network of Santa Clara County

Michael Elliott, Policy Analyst  
Working Partnerships, USA

Bob Brownstein, Policy Director  
Working Partnerships USA

Paul Wysocki, Consultant  
Santa Clara County Housing Task Force



Ron Morgan  
Community Housing Developers, Inc.

Chris Block, Executive Director  
Catholic Charities  
(Formerly Executive Director, Housing Trust of Santa Clara County)

Laura Stuchinsky  
Senior Policy Director  
Silicon Valley Manufacturing Group

***Advisory Working Group  
Issue Team Members***

**Issue Team # 1**

**Disconnect with State Laws, Regulations and the Silicon Valley**

*Captain:* Alex Sanchez, County Housing Authority  
Ron Morgan, Community Housing Developers, Inc  
Paul Wysocki, County Housing Task Force  
Leslye Corsiglia, San Jose Housing Department  
Laura Stuchinsky, Silicon Valley Manufacturing Group  
Kathryn Thibodeaux, Tri-County Apartment Association

**Issue Team # 2**

**Tax Credits and Incentives**

*Captain:* Mayor Thomas Springer, City of Gilroy  
*Co-Captain:* Paul Stewart, Santa Clara County Association of Realtors  
Leslye Corsiglia, San Jose Housing Department  
Mayor Matthew Dean, City of Campbell  
Vice Mayor Aldyth Parle, City of Santa Clara  
Mayor Mario Ambra, City of Mountain View  
Mayor Henry C. Manayan, City of Milpitas



**Issue Team # 3**

**Smart Growth**

*Captain:* Michael Elliot, Working Partnerships  
Paul Stewart, Santa Clara County Association of Realtors

Paul Wysocki, County Task Force  
Phyllis Ward, Affordable Housing Network of Santa Clara County

**Issue Team # 4**

**Preservation of Affordable Housing Stock**

*Captain:* Ron Morgan, Community Housing Developers, Inc

*Co-Captain:* John Doherty, Law Foundation of Silicon Valley

Bob Hines, Tri-County Apartment Association

Chris Block, Housing Trust of Santa Clara County



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Developer: Housing Authority of the County of Santa Clara  
Photographer: Jack Carroll

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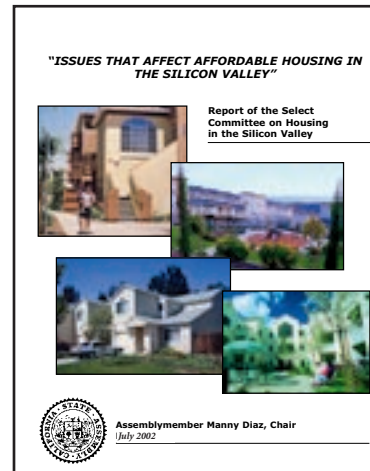
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Construction, Morgan Hill  
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